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Commissaires des comptes

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the accountant should be equally anxious to verify the legitimacy of these charges from an accounting and auditing standpoint.

"Usually when the accountant reports cost of goods sold without giving any supporting detail, it will be found that the client has a cost system and the trial balance at the end of any period, as far as manufacturing costs are concerned, shows only inventories and cost of goods sold. In such cases, the best procedure usually is to analyze the cost of goods sold account first and then work back from this analysis through finished goods, work in process,

and as many other accounts as may be necessary. Finally, the various analyses should be consolidated and contra items eliminated, the final column showing the details of cost of goods sold.

"The method of obtaining the desired information will of course vary with the methods of accounting, but in all cases the working papers should include an analysis of cost of manufacture in reasonable detail as to material, labor, and expense, and the relation between cost of manufacture, cost of goods sold, and inventory of manufactured goods should be established."

Commissaires Des Comptes

PARIS, May 10, 1921.

EXECUTIVE OFFICES:

From time to time we have received communications from our practice offices which would indicate that their understanding of the functions of "Commissaires des Comptes" of a company in France is that they correspond to those of auditors in America.

We believe that an explanation of their functions might be of interest and possible value to both you and our clients.

"Commissaires des Comptes" are appointed by a company at the constitutive general meeting, and thereafter at the yearly general meetings.

They can be of French or foreign nationality and may be shareholders in the company or not.

Their duties are to make a report to the shareholders for the yearly general meeting on the financial situation of the company, submitting a balance sheet, income, and profit and loss account. They are responsible to both shareholders and creditors when their reports have not been genuine.

The above shows the functions and re-

sponsibility of the "Commissaires des Comptes" as provided by the law. However, in reality the examinations made by "Commissaires des Comptes," as a rule, are perfunctory and do not include the analyses of the accounts made in an ordinary audit. It is our understanding that Commissaires, unless it is especially provided for, have the right to examine the books only during the quarter prior to the time fixed in the articles of association for the yearly meeting.

While the intention of the law is good, the actual examinations made by the "Commissaires des Comptes" are, as stated above, perfunctory and do not in any way replace an audit. The fees paid are very small and only one or two days are required, as a rule, for the examination, in which time you will realize that a great amount of work cannot be accomplished.

It has been our experience to be requested by French branches of American companies to sign their balance sheets after making examination such as is usually made by "Commissaires des Comptes"; and they were surprised when we informed them that we could not furnish a certificate

until we had verified their figures in accordance with our usual methods.

We might state in this connection that it is necessary that individuals and not firms be designated as "Commissaires des Comptes." As individuals we are now Commissaires for some few of the companies we audit here and expect at their next general meetings to be appointed for the majority of the others. We can render the required certificate as Commissaires based on the audit that we make and this, of course, only entails a small additional expense to our clients for the time required for the preparation of the Commissaires' report.

(Signed) H. & S.

It is with deep sorrow and regret that we record the sudden death on May 15, 1921, of Mr. J. C. Grabbe of the Chicago staff. Mr. Grabbe has been a valued member of our staff since January of this year, ranking as a supervising accountant.

Book Review

Dewing, Arthur Stone. *The Financial Policy of Corporations*. Five volumes. (New York, The Ronald Press Company, 1920).

This work might, from its scope, be termed an encyclopedia of corporation finance. Its chief merit perhaps is found therein. As a treatise on corporation finance it is thorough—possibly the most thorough book of its kind which has been presented.

But a book to find favor with business men, bankers, and even college students, must get down to earth. The story must be told in words which the average reader will understand. The author's thoughts must be presented in a way which will enable them to be easily grasped.

It is unfortunate that the otherwise excellent book in question makes anything but easy reading. It is, to say the least, very abstruse. For the purposes of the average reader some parts might as well have been written in Greek. This is particularly true of the reference to accounting (v. iii, p. 3) which is erroneously termed accountancy.

Note, for example, the author's concept of accounting: "The science of *accountancy* is primarily a system of logic. It rests on one absolutely fundamental presupposition and three postulates arising directly out of this." Fortunately, students of accounting do not go to books on finance for their first ideas on accounting.

Again, "*Accountancy* leads to two modes of representing a business enterprise. One is the correspondence between the money value and the economic value of a business at any one moment of time." Could anything be more abstruse to the uninitiated?

Lest this review smack of narrowness and result in giving the reader an entirely wrong impression, it should be added that the material in the book has been well selected and arranged. The volumes deal respectively with Corporation Securities, Promotion, The Administration of Income, Expansion, Failure and Reorganization. The last named excels in its thoroughness and cites many interesting and illuminating cases.

Taken as a whole, the work must be regarded as a contribution even though some of the material has appeared before in other of the author's books. Its value would have been greatly enhanced had the style been simpler.

We are pleased to note that Mr. Ferris I. Palmer of the Watertown office has passed the recent C. P. A. examinations of the State of New York.